FORM 51-102F3
Material Change Report

1. Name and Address of Company:

Pelorus Navigations Systems
212, 5438 - 11th Street N.E.
Calgary, Alberta T2E 7E9

2. Date of Material Change:

October 29, 2004

3. News Release:

October 29, 2004

4. Summary of Material Change:

Pelorus Navigation Systems Inc. (NEX: PN.H) is pleased to announce that it has completed its previously announced reactivation transaction (the "Reactivation Transaction"), subject to final approval of TSX Venture Exchange Inc. ("TSX Venture"), as described in the Information Circular of the Corporation dated August 23, 2004 (the "Information Circular").

5. Full Description of Material Change:

See press release attached as Schedule "A" hereto.

6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102 *Continuous Disclosure Obligations*:

Not Applicable

7. Omitted Information:

Not Applicable

8. Executive Officer Knowledgeable of Material Change:

Al J. Kroontje
5418 - 11th Street N.E.
Calgary, AB T2E 7E9
Telephone: (403) 215-4830 ext. 225

9. Date of Report:

November 2, 2004

SCHEDULE “A”

PELORUS NAVIGATION SYSTEMS INC.
212, 5438 - 11th Street N.E.
Calgary, AB T2E 7E9

October 29, 2004

PELORUS NAVIGATION SYSTEMS INC. (the “Corporation”) (TSX Venture: PN.H) is pleased to announce that it has completed its previously announced reactivation transaction (the “Reactivation Transaction”), subject to final approval of TSX Venture Exchange Inc. (“TSX Venture”), as described in the Information Circular of the Corporation dated August 23, 2004 (the “Information Circular”).

Pursuant to the Reactivation Transaction, the Corporation completed an arm’s-length acquisition of certain oil and gas assets (the “Acquisitions”) from 818541 Alberta Ltd. (“AlbertaCo”) and Elkwater Resources Ltd. (“Elkwater”) for the purchase prices of $1,011,900 and $110,000, both subject to adjustment, respectively. The purchase price payable to AlbertaCo was paid by the issuance of 16,865,000 common shares of the Corporation (the “Common Shares”) at a deemed price of $0.06 per share. The purchase price payable to Elkwater was paid in cash. The final purchase prices are subject to final adjustments to be completed in 120 days.

Pursuant to the Reactivation Transaction, the Corporation also completed the previously announced private placement of 5,000,000 Common Shares at a price of $0.06 per share for gross proceeds of $300,000 (the Equity Private Placement”) and the private placement of 18,750,000 Common Shares issued on a “flow-through” basis under the *Income Tax Act* (Canada) at a price of $0.08 per share, for gross proceeds to the Corporation of $1,500,000 (the “Flow-Through Private Placement”). The Common Shares issued pursuant to the Equity Private Placement are subject to a hold period until March 1, 2005.

Finally pursuant to the Reactivation Transaction, the Corporation repaid its previously outstanding debentures (the “Debentures”), which consisted of $1,234,109 principal amount (plus accrued interest), as follows: (a) approximately $820,607 was repaid by the assignment to the holders of the Debentures of the US$600,000 services credit that the Corporation received in connection with the previously announced settlement with Honeywell International, Inc.; and (b) the balance of approximately $500,000 by the issuance to the holders of $500,000 principal amount of convertible debentures (the “Convertible Debentures”), which are repayable two years from the date of closing, bear interest at a rate of 5% per annum and are convertible at any time at the option of the Corporation only, on the basis of one Common Share for each $0.06 of principal amount, for an aggregate of up to 8,327,100 Common Shares in the event the entire amount is converted.

After completion of the Reactivation Transaction, as disclosed in the Information Circular, the current directors of the Corporation are Al J. Kroontje, J. Fredrick Welter, Donald J. Brown, Abdel Badwi and Douglas M. Stuve, all of Calgary, Alberta; and the officers of the Corporation are Al J. Kroontje, Chairman, and Donald J. Brown, President and Chief Executive Officer.

The Corporation intends to proceed with its previously announced name change to Pelorus Energy Corp., subject to regulatory approval, next week.

The Corporation also hereby confirms it intends to proceed next week with the previously announced proposed grant of stock options to purchase Common Shares at a price of $0.10 per share to directors, officers and consultants.

For further information contact Al J. Kroontje, Chairman of Pelorus Navigation Systems Inc., at (403) 215-4830 ext. 225.